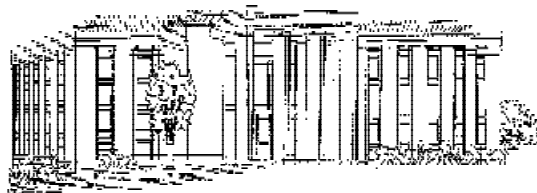


KTRS NEWSLETTER

TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY

ACTIVE MEMBER EDITION
October/November 2003



New Board Member Elected Laura Zimmerman



The Board of Trustees recently elected Laura A. Zimmerman of Lexington to fill the active teacher trustee position on the KTRS Board of Trustees. With the recent retirement of Ms. Barbara G. Sterrett, the Board selected Ms. Zimmerman from among several nominees for the position. The appointment is for the remainder of Ms. Sterrett's term which expires June 30, 2006. Ms. Zimmerman is a teacher with the Fayette County School System and has been active in teacher associations at the local and state levels. She holds a BS in Community Health Education from Eastern Kentucky University with a Masters Degree in Biology Education. We welcome Ms. Zimmerman to the Board of Trustees.

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Change Sought in Funding Formula for Medical Insurance

Retired teachers in Kentucky have received medical coverage from a pay-as-you-go medical insurance plan since 1964. This means that the contributions from active members and the state matching contribution provide the funds needed to pay medical coverage for retirees. This program has served retirees well and today covers over 29,000 retirees. The base funding for this benefit is the $\frac{3}{4}$ of 1% of members' salaries contributed by the members and matched by the state.

As with any pay-as-you-go plan, there have been several periods when it was necessary to increase funding or make adjustments in the plan structure to maintain the plan. Funding to the plan has been supplemented since 1998 when the funding level for retirement benefits improved to the point that the actuary recommended that a portion of contributions to the retirement fund be used to alleviate the shortfalls of the medical insurance fund. As a result of the recent economic downturn, the actuary has advised the System that those funds will be needed to continue the soundness of the retirement plan. The retirement plan is funded in advance of retirement on an actuarially

sound basis as compared to the pay-as-you-go funding for the medical plan. Since 1998, the supplemental funding has enabled the retirement system to accumulate reserves in the medical insurance fund. Changes to the funding

Financial Markets Show Improvement

In recent quarters, the financial securities markets have stabilized and registered solid returns. Over the last twelve months, the stock market, as measured by the Standard & Poor's 500 Stock Index on September 30, earned a total return exceeding 24%. During the first nine months of 2003, the stock market generated a total return of 14.7%. Meanwhile, the total return from the bond market for the last twelve months, as measured by the Lehman Government Credit Bond Index, approximated 6.5%. The return for the first three quarters of 2003 was 4.7%. The stronger stock market is welcome news after three years of weakness.

The System's long-term investment performance remains strong. As of June 30, 2003, the System's ten year annualized stock return was 10.4%. The fifteen year annualized return was 12.1%, and the twenty year annualized total return was 12.6%. In each measurement the System's portfolio outperformed the market. The ten, fifteen, and twenty year annualized returns on all assets, as of June 30, 2003, were 8.2%, 9.4%, and 10.2%, respectively.

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***Change Sought in Funding Formula for Medical Insurance
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formula are critical by no later than the 2006 plan year because at that time the current financial reserves will be exhausted. Without additional funding by the 2006 plan year serious changes to the funded level of coverage would be required.

The KTRS medical insurance plan is important to both retired and active members and the Board of Trustees has reacted to the membership by identifying the medical issue as its top priority for the upcoming legislative session. They will be seeking a change in the funding formula needed to continue this plan at a meaningful and equitable level.

**Planning is Important!
Many Members May be Retired for as
Long as they Worked!**

The Kentucky Teachers' Retirement System is recognized as one of the finest retirement systems in the nation for teachers. KTRS offers one of the highest percent of final average salary multipliers at 2.5%* for each year of service starting in 1984, medical insurance, and the option to retire after only 27 years of service. The question becomes, is the retirement annuity that is earned with 27 years service the amount I will need to sustain me for all the years I will be retired? There have been great improvements in the longevity of the total population in the United States over the past century and the actuaries tell us teachers live even longer on average than most of the population. With this longevity, many that retire with 27 years of service may be retired longer than they worked. So the question regarding the retirement annuity is a logical one. We believe it is best answered by attending KTRS seminars, visiting with KTRS counselors and then making a decision after taking into account this information along with other personal information such as other income available, personal health, etc.

KTRS has been offering Pre-Retirement Seminars to interested members for almost eleven years. Mid-Career Planning Seminars have been offered to the KTRS membership for almost four years. During this time, approximately 11,000 active KTRS members have attended one or both of these sessions to find out about their retirement account. Over 12,500 KTRS members are currently either eligible to retire or will be within the next two years and these workshops provide valuable information about how to prepare and when to choose to retire.

With legislation enacted in 1988, the Kentucky General Assembly provided members the option of retiring with a *non-discounted* retirement annuity with only 27 years of Kentucky service credit. (KRS 161.600(1)(b) requires a 5% discount in the retirement annuity for each year that a member is less than age 60 or has less than 27 years of service, whichever number is the lesser.) A non-discounted retirement annuity based upon 27 years of service is not equivalent to a member's last salary or final average

salary. A member may, however, work beyond 27 years, and with sufficient service credit, can receive a retirement annuity that is equal to 100% of his or her last salary or final average salary, whichever is greater.

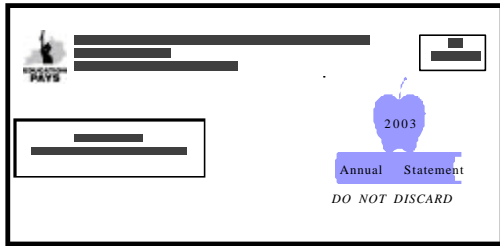
Most financial planners recommend 80% or more of your last salary is needed to maintain your lifestyle throughout retirement. Members who retire with 27 years of service on average receive 63.5%* of their final average salary or 57% of their last salary in payment as a permanent annual retirement annuity. For some members this provides sufficient income when other savings, etc. are taken into account, but for others, it may be desirable to **build a larger permanent retirement annuity.** Each additional year of service between 27 and 30 years increases the permanent annuity by 2.5%* of final average salary plus the percentage increase in the final average salary. For retirements effective after June 30, 2004, each additional year of KTRS service beyond 30 years increases the permanent annuity by 3% of final average salary plus the percentage increase in the final average salary. Consequently, a member who chooses to work four additional years can expect to receive 74%* of a higher final average salary. This 10.5%+ increase is a **permanent increase** in the retirement annuity a member will receive throughout retirement. The **permanent retirement annuity** increases for each year worked until the member's retirement allowance equals 100% of the member's last annual compensation or final average salary, whichever is greater.

Members who receive lump sum payments for their accumulated sick leave days are able to use this payment to increase their final average salary, thus increasing their retirement annuity. And members whose employers pay the cost of the additional service credit earned from their accumulated sick leave days are able to increase their service credit thus increasing their retirement annuity.

Finally, members who retire with 27 or more years and who are at least age 55 get to have their final average salary computed using their three highest annual salaries ('High 3') instead of their five highest annual salaries. KTRS estimates the use of the 'High 3' increases the average member's retirement annuity by 6% to 8%.

This past summer 621 of the 1,297 members who retired from service during the months of June, July and August had 27.99 years of service or less. While KTRS understands that quite often other factors influence the decision about when to retire, it is extremely important to understand the positive impact additional years of service and higher final average salaries have upon your retirement annuity. **KTRS urges all active members to either attend one of the seminars or contact KTRS if you have additional questions.**

**The percentages applicable to KTRS members employed at Eastern, Western, Morehead, Murray & Kentucky State Universities are different because these members also contribute to Social Security.*



2003 Annual Statement

Members Should Retain Annual Statements

During your working career, your Kentucky Teachers' Retirement System statement is the most important retirement planning document you will receive from our office each year. The annual statement shows how much you earned during the last fiscal year and your accumulated salary and service credit. Please keep your statement for future reference.

The annual statements for fiscal year ending June 30, 2003 were mailed in early October 2003. **Please keep your address current with this office** to ensure that a copy of this statement is mailed to you each year. Employers furnish the salary and service credit reflected on statements; therefore, questions about earnings and service credit should be directed to them. Personal payments received in this office after June 30, 2003, will not be shown on your 2003 statement. Please examine your statement for accuracy.

KENTUCKY TEACHERS' RETIREMENT SYSTEM MID-CAREER PLANNING WORKSHOPS

REGISTRATION

5:30 P.M. - 5:40 P.M. (Local Time)

SEMINAR

5:40 P.M. - 8:30 P.M. (Local Time)

November 3, 2003

Best Western –
Brownsboro Inn
One Adams
3406 Brownsboro Road
Louisville, KY

November 17, 2003

Holiday Inn
Mahogany Room
1058 North Mulberry Street
Elizabethtown, KY

December 2, 2003

Holiday Inn University
Plaza Hotel
Meeting Room 1
1021 Wilkinson Trace
Bowling Green, KY

January 5, 2004

Holiday Inn South
Keeneland – Red Mile Room
5532 Athens Boonesboro Road
Lexington, KY

January 26, 2004

London Community Center
Meeting Room B
529 South Main Street
London, KY

KENTUCKY TEACHERS' RETIREMENT SYSTEM

PRE-RETIREMENT SEMINARS

REGISTRATION

9:00 A.M. - 9:15 A.M.
(Local Time)

SEMINAR

9:15 A.M. - 1:00 P.M.
(Local Time)

You are invited to attend if you are minimum one year to five years maximum from retirement.

November 8, 2003

Center for Rural Development
2292 South US HWY 27
Somerset, KY

November 22, 2003

Barren River SRP
1149 State Park Road
Lucas, KY

December 6, 2003

Jefferson Co. Schools
Southern High School
8620 Preston Highway
Louisville, KY

January 24, 2004

Erlanger-Elsmere Ind.
Lloyd High School
Deitz Auditorium
450 Bartlet Street
Erlanger, KY

February 7, 2004

Lexington Public Library
(Not before 9AM)
140 E Main Street
Conference Room A – lower level
Lexington, KY

KTRS SEMINAR OR WORKSHOP PRE-REGISTRATION FORM

Pre-registration for all seminars is **NECESSARY** and offered on a first come, first served basis. Individual retirement estimates will **NOT** be available at these workshops/seminars. **Return this pre-registration form to KTRS or pre-register on-line at: www.ktrs.ky.gov**

This Pre-Registration is for:

☐

**Mid-Career
Workshop**

or

☐

**Pre-Retirement
Seminar**

Name _____ Social Security Number _____ - _____ - _____

Address _____

City/State _____ ZIP Code _____

Name of Employer _____

Home Phone: (_____) _____ Work Phone: (_____) _____

Date of Workshop attending: _____ City of Workshop attending: _____

**** Guests are welcome if seating is available. Priority is given to KTRS Members****

*Please return completed registration form to: KTRS * 479 Versailles Road * Frankfort, KY 40601-3800*

Deadlines for the Purchase of 2002-03 Service Credit are Approaching

Full-time members who had unpaid contract days in the 2002/2003 fiscal year should contact KTRS about their eligibility to obtain full service and/or salary credit. **The deadline for purchasing this type of credit is December 31, 2003.**

Members granted leaves of absence in 2002/2003 should contact KTRS about recovering this credit. **The deadline for this type of purchase is June 30, 2004.**

****Appropriate forms can be obtained on the KTRS web site or from your employer.***

Keep Your Address Current with KTRS

We encourage members to use the CHANGE NAME/ADDRESS form located on the KTRS web site (www.ktrs.ky.gov) when making a change of name and/or address request.

You can reach the form from the KTRS Home Page by selecting the [Resources] option and then clicking on the MEMBER "Bus" icon. From the Member Forms/Information menu select the Change Of Address form item.

You will need to print the form, fill in the information requested and mail or fax the completed form to KTRS.

If you do not have access to the Internet you can request we send you a Change of Address form or send us the request in writing. Always be sure to include your name, old and new addresses, your account number (Social Security Number) and include your signature along with the current date on all correspondence when writing to KTRS.

Attention Reciprocity Members! Are You Planning to Purchase Non- Qualified Time in KRS?

Know the law ***BEFORE*** you purchase!

KTRS can recognize non-qualified service credit purchased in KRS only to the extent that you have an equivalent number of months of employment in KRS during the period that the non-qualified service is purchased.

EXAMPLE - John Doe had 6 years in KRS and has been contributing into KTRS for 18 years. Mr. Doe takes a position that pays into KRS. KTRS would recognize Mr. Doe's total service credit as 24 years. If Mr. Doe decided at this point to buy 2 years non-qualified time with KRS, KTRS **could not recognize these two years of service credit purchased** until Mr. Doe worked another 2 years in KRS. At that time, KTRS would recognize a combined service credit of 28 years.